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No. 75

In the Supreme Court of the United States

OCTOBER TERM, 1941

B. B. CHEMICAL CO., PETITIONER

v.

ELMER A. ELLIS AND MAGIC TAPE COMPANY

ON WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE FIRST CIRCUIT

BRIEF FOR THE UNITED STATES AS AMICUS CURIAE

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OPINIONS BELOW

The opinion of the District Court for the District of Massachusetts (R. 18–34) is reported 32 F. Supp. 690 and the opinion of the United States Circuit Court of Appeals for the First Circuit (R. 261–278) is reported 117 F. (2d) 829.

JURISDICTION

The decree of the Circuit Court of Appeals was entered on February 21, 1941 (R. 278). The petition for certiorari was filed on May 8, 1941, and granted on June 2, 1941 (R. 278). The jurisdiction of this Court is invoked under Section 240 (a) of the Judicial Code as amended by the Act of February 13, 1925.

QUESTION PRESENTED

This is an infringement action by a patentee in which it is alleged that a substitute process developed by respondent infringes petitioner's process patent. The validity of the patent and the existence of infringement do not concern the United States and will not be discussed. This brief is confined to the question of whether the court below properly denied petitioner relief on the ground that it had improperly used its patent monopoly to suppress competition in unpatented goods.

THE INTEREST OF THE UNITED STATES

The United States is not a party to this suit and has no financial interest in the litigation. It did not appear or participate in any way in the proceedings below. However, for the reasons hereinafter stated, the United States is directly interested in the question of whether the petitioner was properly denied relief against infringement because of its improper use of its patent, and accordingly submits its views, as *amicus curiae*, in support of the decision below.

The specific issues here involved are closely interwoven with problems of vital importance to the Government in the administration of the antitrust laws. Use of the patent privilege as a means of eliminating competition is one of the common devices adopted in attempting to circumvent the prohibitions of the Sherman Act (15 U. S. C. §§ 1-7) and the Clayton Act (15 U. S. C. §§ 12-27). This case raises an important issue as to the extent to which a patentee may control articles of commerce not covered specifically by the claims of the patent. An authoritative decision will be of great aid in determining the applicability of the antitrust laws to trade restraints of this type.

There is another reason, too, for the interest of the Government in this litigation. A patent is a grant by the public to the individual of a limited statutory monopoly as a reward "to

promote the progress of science and the useful arts". Since the privilege so conferred is in derogation of the paramount public policy favoring free and open competition, derived from the common law and amplified in the antitrust laws, the public interest requires that the statutory monopoly not be extended beyond the exact limits of the grant. Although the antitrust laws offer an effective weapon for preventing flagrant abuses of the patent privilege in attempts to dominate industry and stifle free competition, constitutional and statutory limitations leave a twilight zone between the protection afforded by the antitrust laws and the proper limits of the patent monopoly. We believe that the Government may properly concern itself in cases falling within this twilight zone by reason of its duty to assure that free enterprise and the interest of the public be protected.

STATEMENT

The facts are fully summarized in the opinion and findings of the trial court (R. 18–34) and in the opinion of the court below (R. 261–278). In so far as the supporting evidence is pertinent, it has been adequately discussed in the briefs of the respective parties. The facts relating to the question of infringement have no bearing upon the issues which concern the United States. We shall, therefore, limit our discussion to a brief summarization of such facts as are necessary to crystallize the issues covered by this brief.

The petitioner, a wholly owned subsidiary of United Shoe Machinery Corporation (R. 44), owns a patent upon a process for reinforcing insoles which are used in shoes (R. 19). The materials used in the patent process are gem duck or canvas and suitable adhesive compounds. None of the materials, singly or in combination, are patented, and they are manufactured and sold in the open market by others than petitioner (R. 20, 33, 82). Petitioner does not purport either by notice or contract to confer any rights under its process patent upon shoe manufacturers. It issues no licenses to the users of

the patent process, and charges no royalties for the use of the process by shoe manufacturers (R. 25, 43, 80, 264). All profits which petitioner realizes are derived from the sale to manufacturers of the unpatented articles to be used in the patent process (R. 33).[1]

The patent claim now in issue is simply a method of applying duck or canvas reinforcing to insoles (R. 20–21). The method is to apply a second coat of rubber adhesive compound to a piece of canvas of suitable size which has previously been impregnated with a first coat of rubber adhesive compound. The reinforcing canvas is then pressed to the insole while the second coat is sticky or "tacky," thus causing the canvas to adhere firmly to the insole (R. 21–23).

Petitioner impregnates the canvas with the first coat adhesive, cuts it into suitable strips, and supplies it to shoe manufacturers. Petitioner also supplies the manufacturers with second-coat adhesive, loans them the machines used in the process, repairs the machines, and furnishes the necessary instruction. The only charge made is a per-yard charge for canvas impregnated with the first-coat adhesive (R. 25, 43–44). This charge is increased by the amount of the cost of canvas if that material is not supplied by the manufacturers (R. 25).

The courts below found that respondents were engaged in a business similar to that carried on by petitioner and that the

[1] So-called "patent license agreements" have been entered into between the petitioner and the Pepperrell Company and H. B. Products Company which permit the licensees to vend certain types of material used in the process (Pt. Ex. 2 & 3, R. 25–26, 245–250). An examination of those agreements confirms the conclusion that the scheme of business, based on the patent, is designed to secure control over the sale of unpatented materials. The petitioner and its "licensees" have agreed that only the petitioner shall be permitted to sell both the nonsolvent second coat and the so-called "Bostick second coat," although neither coating is patented. In the H. B. Products license, elaborate price restriction agreements were included, restrictions which prevent both the licensor and the licensee from selling the nonsolvent coating except within the price agreement between the two parties (R. 249–250). The licensees do not utilize the patented process as shoe manufacturers, and the royalty paid to the petitioner is based upon the amount of unpatented precoated duck that has been sold to shoe manufacturers.

method of reinforcing insoles which respondents offered to shoe manufacturers infringed petitioner's process patent. It was also found that respondents, by selling unpatented materials for use in the infringing process, urging manufacturers to adopt the infringing process, instructing manufacturers in the process, and furnishing machinery and repair service for machinery used in the infringing process, were guilty of infringement (R. 26, 27–30 266–268). However, the court below denied petitioner relief on the ground that it had improperly exploited its patent primarily as a means of suppressing competition in unpatented materials used in connection with the patented process (R. 261-278).

ARGUMENT

THE DOCTRINE OF "IMPROPER USE" BARS PETITIONER FROM RELIEF FOR INFRINGEMENT OF ITS PATENT

1. In *Carbice Corp.* v. *American Patents Corp.*, 283 U. S. 27, this Court held that a patentee, which was seeking to monopolize the sale of unpatented elements used in a device covered by a combination patent, could not secure relief against contributory infringement by persons who knowingly sold the unpatented elements for use in the patented combination. The doctrine of that case was further developed in *Leitch Mfg. Co.* v. *Barber Co.*, 302 U. S. 458. Since the parties have discussed both cases at length and no direct attack is made on the rule in either case, we will limit our discussion principally to the *Leitch* case, the facts of which are strikingly similar to the case at bar.

In that case, as in the instant case, the patentee relied upon a process patent. There the patent covered the use of bituminous emulsion (an unpatented product) to retard evaporation during the period of curing concrete road surfaces. The Barber Company (the plaintiff patentee) entered into no agreement or contract with purchasers of bituminous emulsion which placed any limitation on the purchases or purported

to extend the patent monopoly to unpatented materials. The method of doing business adopted by the Barber Company was almost identical to that devised by the petitioner in this case, and this Court's description of the patentee's method of business can, with a change of names, be applied to the case at bar. In describing the patentee's conduct, this Court said (302 U. S. at 460–461):

> But it adopts a method of doing the business which is the practical equivalent of granting a written license with a condition that the patented method may be practiced only with emulsion purchased from it. For any road builder can buy emulsion from it for that purpose, and whenever such a sale is made, the law implies authority to practice the invention. On the other hand The Barber Company sues as contributory infringer a competing manufacturer of this unpatented material who sells it to a road builder for such use. Thus, the sole purpose to which the patent is put is thereby to suppress competition in the production and sale of staple unpatented material for this use in road building.

This Court dismissed the patent infringement action against the Leitch Company, the competing manufacturer of bituminous emulsion, holding that every use of a patent as a means of obtaining a limited monopoly over unpatented materials is prohibited. Mr. Justice Brandeis stated the controlling principle as follows (p. 463):

> The Court held in the *Carbice* case that the limitation upon the scope or use of the patent which it applied was "inherent in the patent grant." It denied relief, not because there was a contract or notice held to be inoperative, but on the broad ground that the owner of the patent monopoly, ignoring the limitation "inherent in the patent grant," sought by its method of doing business to extend the monopoly to unpatented ma-

terial used in practicing the invention. By the rule there declared every use of a patent as a means of obtaining a limited monopoly of unpatented material is prohibited. It applies whether the patent be for a machine, a product, or a process. It applies whatever the nature of the device by which the owner of the patent seeks to effect such unauthorized extension of the monopoly. Nothing in *Leeds & Catlin Co.* v. *Victor Talking Machine Co.*, 213 U. S. 325, limits it.

The same principle has been repeatedly applied by the lower federal courts in cases arising under the patent laws. *American Lecithin Co.* v. *Warfield Co.*, 105 F. (2d) 207 (C. C. A. 7), certiorari denied, 308 U. S. 609; *J. C. Ferguson Mfg. Works* v. *American Lecithin Co.*, 94 F. (2d) 729 (C. C. A. 1), certiorari denied, 304 U. S. 573; *Oxford Varnish Corp.* v. *Ault & Wiborg Corp.*, 83 F. (2d) 764 (C. C. A. 6); *Autographic Register Co.* v. *Sturgis Register Co.*, 110 F. (2d) 883 (C. C. A. 6); *Barber Asphalt Corp.* v. *La Fera Grecco Contr. Co.*, 116 F. (2d) 211 (C. C. A. 3); *Dehydrators, Ltd.* v. *Petrolite Corp.*, 117 F. (2d) 183 (C. C. A. 9); *Novadel-Agene Corp.* v. *Penn*, 119 F. (2d) 764 (C. C. A. 5); *Philad Co.* v. *Lechler Laboratories*, 107 F. (2d) 747 (C. C. A. 2); cf. *Johnson Co.* v. *Philad Co.*, 96 F. (2d) 442 (C. C. A. 9).[2]

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[2] The course of business adopted by the petitioner in order to secure a limited monopoly over the sale of unpatented materials is, in the words of this Court in the *Carbice* case (283 U. S. at 34), "analogous to the use of a patent as an instrument for restraining commerce which was condemned, under the Sherman Anti-Trust Law, in *Standard Sanitary Mfg. Co.* v. *United States*, 226 U. S. 20. * * * In such cases, the attempt to use the patent unreasonably to restrain commerce is not only beyond the scope of the grant, but also a direct violation of the Anti-Trust Acts." The most recent decision of this Court applying the rule in an antitrust case is *Ethyl Gasoline Corp.* v. *United States*, 309 U. S. 436. There the Court struck down an elaborate licensing system allegedly based on a series of patents covering the entire field from an essential element of motor fuel to the utilization of the fuel in combustion engines. Upon finding that it was only the basic patent on the element used to manufacture fuel which the patentee was exploiting commercially, this Court said (p. 459):

"The licensing conditions are thus not used as a means of stimulating the commercial development and financial returns of the patented invention

That the doctrine of the *Carbice* and *Leitch* cases applies to the present case seems plain. Petitioner secures no reward, and attempts to secure no reward, from its patented process except insofar as that process serves to give it a monopoly of the unpatented products used in connection with the process. It confers an implied license to use the process, without compensation, to all shoe manufacturers which purchase the unpatented products from it; it has granted no license to use the process to any other shoe manufacturer. The necessary and intended effect of its system of business, as the court below held, is to require all manufacturers who desire to use the process to look to it, and to it alone, for the unpatented materials used in connection with the process. And it is only from the sale of such unpatented materials—and not from exploitation of its patented process—that petitioner derives its compensation.

It is no answer to urge, as petitioner does, that it is willing to grant a license to any shoe manufacturer which requests one. For a licensing system, no less than the system which petitioner has in the past employed, may be used to secure a limited monopoly in unpatented products, dependent upon the terms upon which the licenses are granted. Thus, if petitioner continues to grant an implied license to use the process, without compensation, to all those manufacturers which purchase the un-

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which is licensed, but for the commercial development of the business of the refiners and the exploitation of a second patent monopoly not embraced in the first. The patent monopoly of one invention may no more be enlarged for the exploitation of a monopoly of another, see *Standard Sanitary Mfg. Co.* v. *United States*, *supra*, than for the exploitation of an unpatented article, *United Shoe Machinery Co.* v. *United States*, *supra*; *Carbice Corporation* v. *American Patents Corp.*, *supra*; *Leitch Manufacturing Co.* v. *Barber Co.*, *supra*; *American Lecithin Co.* v. *Warfield Co.*, 105 F. (2d) 207, or for the exploitation or promotion of a business not embraced within the patent, *Interstate Circuit* v. *United States*, *supra*, 228–230."

See also *United Shoe Mach. Co.* v. *United States*, 258 U. S. 451; *International Business Machines Corp.* v. *United States*, 298 U. S. 131; *Oxford Varnish Corp.* v. *Ault & Wiborg Corp.*, 83 F. (2d) 764 (C. C. A. 6); *Barber Asphalt Corp.* v. *La Fera Grecco Contr. Co.*, 116 F. (2d) 211 (C. C. A. 3); cf. *Interstate Circuit* v. *United States*, 306 U. S. 208, 228–230.

patented materials from it, its monopoly of the sale of such materials will not be imperiled by its mere willingness to license the patented process to other manufacturers for a royalty; all that petitioner needs do to maintain its monopoly position is to fix the amount of the royalty at such a price that it would be cheaper for manufacturers to purchase the unpatented materials from the petitioner, thereby securing an implied license at no extra cost, than it would be for them to purchase the unpatented materials from some other source and secure a license from petitioner.[3]

We do not urge, of course, that a patentee must adopt some one particular system of exploiting his patent monopoly; we urge merely that he may not adopt *any* system, of whatever nature, the purpose and effect of which is, not to exploit the patent monopoly, but to extend that monopoly over unpatented articles. Certainly, as long as any patentee seeks to use his patent privilege for the improper purpose of suppressing competition in unpatented products, he is not entitled to aid from the courts in carrying out his unlawful scheme.

2. In this view, it is of course immaterial that, in the *Carbice* and *Leitch* cases, the infringement charged to the defendants was merely the sale of unpatented materials with knowledge that the vendee intended to use them in infringing the patent, while in the present case the respondents are charged, not only with similar sales of unpatented materials, but also with endeavoring to persuade manufacturers to adopt the infringing process and with aiding and assisting them in using that

[3] Even if petitioner were to charge everyone a royalty for the use of its patented process, it might still so arrange its system of business that the patent monopoly would be used improperly to suppress competition in unpatented goods. For example, it might charge a royalty for the patented process and then sell its unpatented products to its licensees at cost or below. If the purpose and effect of such a system of business were to suppress competition in the unpatented goods, the system would seem to constitute an "improper use" of the patent of the same nature as the system hitherto employed by the petitioner.

process. In either situation if the infringement is proved, whether it be deemed contributory or direct, the patentee would normally be entitled to relief. He is denied relief, however, because he has attempted to use his limited patent privilege to extend his control over materials and activities not covered by the patent grant and because the effect of giving him relief would be to aid and abet that attempt. It is thus the character of a patentee's acts, rather than the character of the infringing acts, which [redacted] decisive. Manifestly [redacted]e-fore, the *Carbice* and *Leitch* cases cannot be confined to situations where the infringing acts may properly be characterized as "contributory" rather than "direct." Had the action here been brought against the manufacturers to whom respondents sold their unpatented products and who were guilty of direct infringement by use of the patented process without license, relief would still have had to be denied; the effect of granting relief would have been to assist the petitioner in his attempt to use the patent privilege to secure a limited monopoly of unpatented goods. As this Court stated in the *Carbice* case (283 U. S. at 33-34), "Relief is denied because the [patentee] is attempting, without sanction of law, to employ the patent to secure a limited monopoly of unpatented material used in applying the invention."

That the rationale of decision in the *Carbice* and *Leitch* cases applies to direct as well as to contributory infringements is evident upon analysis of [redacted] bases upon which the "improper use" doctrine rests. The limited monopoly which a patentee obtains by statute is a reward given by the public to "promote the progress of science and the useful arts". The privilege is carved out of the public domain and is a limited restriction on the free and open competition which it is the policy of the law to maintain. That paramount public policy is an heritage from the common law and is embodied in the antitrust laws and many related statutes. The duty rests upon the courts as well as upon the other branches of the

Government to guard against every attempt to abuse the generosity of the public by seeking to take more than was given. To permit a patentee at all times to receive full legal protection up to the limits of his grant and at the same time to allow him to use whatever other means he chooses to extend his limited monopoly beyond the bounds of the grant, would be to encourage abuses of the patent privilege which the courts should be alert to prevent. Yet the interpretation of the "improper use" doctrine which petitioner urges would have precisely this result.[4] The necessary premise of petitioner's argument is that the doctrine of "improper use" is limited to protecting the contributory infringer from suit and is in no way intended to protect the rights of the public. This necessarily follows from petitioner's contention that it is entitled to protection from direct infringement. Yet it is perfectly apparent that if petitioner is entitled to enjoin respondents' customers from using the unpatented materials purchased from respondents, petitioner will be able to obtain by a judicious selection of defendants exactly the same result as if permitted to maintain this suit against the respondents.

Neither this Court nor any lower federal court has ever interpreted the "improper use" rule in such formalistic terms or applied it in any such unrealistic manner. The fact that a patentee elects to sue the direct infringer does not modify the application of the rule or legally justify a business system which is an "improper use" of the patent privilege. *American Lecithin Co.* v. *Warfield Co.*, 105 F. (2d) 207 (C. C. A. 7), certiorari denied, 308 U. S. 609; *Barber Asphalt Corp.* v. *La Fera Grecco Contr. Co.*, 116 F. (2d) 211 (C. C. A. 3); *Dehydrators, Ltd.* v. *Petrolite Corp.*, 117 F. (2d) 183 (C. C. A.

[4] Even if reasons of public policy were not a sufficient refutation of petitioner's interpretation of the *Carbice* and *Leitch* cases, it would seem that the equitable defense of unclean hands should be available in any type of infringement action as against one who is guilty of improper use of the patent privilege. See *Novadel-Agene Corp.* v. *Penn*, 119 F. (2d) 764, 766, 767 (C. C. A. 5).

9); *Novadel-Agene Corp.* v. *Penn*, 119 F. (2d) 764 (C. C. A. 5).

3. In the court below and in its petition for a writ of certiorari petitioner argued that the "improper use" doctrine is not applicable in this case because respondent has done more than supply "staple" articles of commerce to shoe manufacturers; it has supplied unpatented materials specially manufactured for use in the patented process. Based upon an alleged distinction between "staple" and nonstaple articles, petitioner contended that the "improper use" doctrine applies only when a patentee attempts to secure a limited monopoly over unpatented "staple" articles of commerce. While the argument is not made directly in petitioner's brief in this Court, the consistent emphasis upon the references in other cases to "staple" articles indicates that petitioner has not entirely abandoned the point.

An examination of the cases enunciating the "improper use" doctrine shows the contention to be without merit.[5] The decision in the *Carbice* case was not based upon the nature of the unpatented article; indeed, this Court did not use the word "staple" or refer to any distinction between staple and nonstaple goods. To the contrary, Mr. Justice Brandeis, speaking for the Court, stated (p. 33):

> Control over the supply of such unpatented material is beyond the scope of the patentee's monopoly; and this limitation, inherent in the patent grant, *is not depend-*

[5] The principal authority upon which the petitioner relied is *Johnson Co.* v. *Philad Co.*, 96 F. (2d) 442 (C. C. A. 9). There the court distinguished between "standard" and "nonstandard" articles of commerce (p. 447) and held that a manufacturer which made certain articles especially to be used in a patented permanent-waving process was guilty of contributory infringement. The *Philad* case has not been followed. The Circuit Court of Appeals for the Second Circuit in *Philad Co.* v *Lechler Laboratories*, 107 F. (2d) 747 (C. C. A. 2), deciding a case involving the same hair-waving patents, dismissed the action against a competing manufacturer which made clamps, curling rods, pads, and heaters "of shapes and sizes that fitted them for use in operating the patented process" (p. 747). The court expressly refused to distinguish between "staple" and "nonstaple" articles, holding that "there is no support for any such limitation on the rule" (p. 748).

ent upon the peculiar function or character of the unpatented material or on the way in which it is used. [Italics supplied.]

The decision in the *Leitch* case applies the same rule. Although the Court referred to bituminous emulsion as a "staple" article, the adjective was plainly used for purposes of description rather than to suggest a limitation upon the "improper use" doctrine. After quoting with approval the general rule announced in the *Carbice* case, the Court dismissed the action "on the broad ground that the owner of the patent monopoly, ignoring the limitation 'inherent in the patent grant,' sought by its method of doing business to extend the monopoly to unpatented material used in practicing the invention" (p. 463).

4. In its brief (pp. 34–36), petitioner argues that the "rule of reason" must be treated as a limitation upon the "improper use" doctrine. As a corollary petitioner appears to argue that it is necessary to show that a patentee's method of business substantially lessens competition in violation of Section 3 of the Clayton Act, before the "improper use" rule is applicable (brief p. 36). A similar contention is being made by the respondent in *Morton Salt Company* v. *G. S. Suppiger Company*, No. 49, present Term, with which the present case is to be argued.

We believe it clear, however, that the "rule of reason", developed in connection with the application of the antitrust laws, cannot logically be extended to a case such as the one at bar. The basis of the decision below was the finding that the patentee had put its patent to an "improper use"; that finding is obviously inconsistent with any conclusion that the patentee's activities were reasonable. Petitioner's argument to the contrary amounts, in effect, to a contention that some "improper uses" of patents are reasonable and that a patentee may enhance his limited statutory monopoly if only he does not carry it to excess.

There is also no merit in petitioner's contention that Section 3 of the Clayton Act must be considered in connection with the "improper use" doctrine. Section 3 prohibits "tying clauses" in contracts where the effect is substantially to lessen competition, whether the article sold is patented or not. But this statutory prohibition plainly does not, and was not intended to, establish an exclusive criterion of legality or to constitute the yardstick by which the courts are to determine whether a patentee has "improperly used" his patent. If any proof of this be needed other than the words of the statute itself, it is furnished by the fact that this Court, in the *Carbice* and *Leitch* cases, did not rest the doctrine in any way upon the provisions of the Clayton Act.

CONCLUSION

The decision of the court below should be affirmed.

Respectfully submitted.

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NOVEMBER, 1941.

U. S. GOVERNMENT PRINTING OFFICE: 1941

SUPREME COURT OF THE UNITED STATES.

No. 75.—October Term, 1941.

B. B. Chemical Co., Petitioner, *vs.* Elmer A. Ellis and Magic Tape Company.	On Writ of Certiorari to the United States Circuit Court of Appeals for the First Circuit.

[January 5, 1942.]

Mr. Chief Justice Stone delivered the opinion of the Court.

This is a companion case to No. 49, *Morton Salt Company* v. *Suppiger Company*, decided this day, and involves the question whether the owner of a method patent who authorizes manufacturers to use it only with materials furnished by him may enjoin infringement by one who supplies the manufacturer with materials for use by the patented method and aids in such use.

Petitioner brought the present suit for an injunction and an accounting for infringement of the Ellis Patent, No. 1,830,428, of November 3, 1931, for a method of reinforcing insoles in shoe manufacture. Respondents denied infringement and set up as a further defense petitioner's misuse of the patent by permitting its use only with the unpatented materials sold by petitioner. The district court sustained this defense and the Court of Appeals for the First Circuit affirmed. 117 F. 2d 829. We granted certiorari, 313 U. S. 558, because of the importance of the question presented and because we wished to consider this with the *Morton Salt Company* case.

Claim 4 of the patent is for a method "of reinforcing insoles which comprises applying, at room temperature, to a strip of reinforcing material provided with a dry coating of a cement having a substantial rubber content, a coating of adhesive containing a relatively large amount of rubber and of such a character that it will be effective even when freshly applied to cause quick adhesion of the reinforcing material and the material of the insole, and applying to each other, still at room temperature, a portion of the coated strip and the insole to be reinforced." Both courts

below sustained the validity of claim 4 and held it was infringed by respondents' selling to purchasers of petitioner's materials like material for use with the patented process. But both held that petitioner was debarred from enjoining the infringement because of the manner of conducting its business, which is to supply shoe manufacturers, for use in reinforcing insoles, precoated fabric which it has slit into strips of suitable width for use by the patented method. If the manufacturer desires he provides the fabric and petitioner pre-coats and slits it. Petitioner supplies adhesive of high rubber content to be applied to the precoated fabric at the factory, just before the application of the reinforcing material to the insole. It also furnishes patented machines suitable for applying the adhesive to the strips, the machines remaining petitioner's property.

As compensation petitioner makes a single charge to the shoe manufacturer at a rate per web yard of fabric used, and if the manufacturer does not furnish the fabric the price of that is added to the charge. Petitioner has not granted to shoe manufacturers, or asked them to take, written licenses. The courts below held that petitioner's sale to manufacturers of the unpatented materials for use by the patented method operated as a license to use the patent with that material alone and thus restrained competition with petitioner in the sale of the unpatented material, as in *Carbice Corp.* v. *American Patents Corp.*, 283 U. S. 27, and *Leitch Mfg. Co.* v. *Barber Co.*, 302 U. S. 458.

Petitioner insists that the respondents' acts of infringement, as found by the district court, were not limited to the sale of material for use by the patented method as in the *Carbice* and *Leitch* cases, but amounted to active inducement of infringement by the shoe manufacturers and to cooperation with their infringing acts. Petitioner argues that even though under the *Carbice* and *Leitch* cases it has "no right to be free from competition in the sale" of the materials, it has the right under the patent law to restrain infringement in any manner other than by the competitive sale of the unpatented materials.

We may assume, for purposes of decision, that respondents' infringement did extend beyond the mere sale of the materials to the manufacturers. But in view of petitioner's use of the patent as the means of establishing a limited monopoly in its unpatented materials, and for the reasons given in our opinion in the *Morton*

Salt Company case, we hold that the maintenance of this suit to restrain any form of infringement is contrary to public policy, and that the district court rightly dismissed it.

It is without significance that, as petitioner contends, it is not practicable to exploit the patent rights by granting licenses because of the preferences of manufacturers and of the methods by which petitioner has found it convenient to conduct its business. The patent monopoly is not enlarged by reason of the fact that it would be more convenient to the patentee to have it so, or because he cannot avail himself of its benefits within the limits of the grant.

Despite this contention, petitioner suggests that it is entitled to relief because it is now willing to give unconditional licenses to manufacturers on a royalty basis, which it offers to do. It will be appropriate to consider petitioner's right to relief when it is able to show that it has fully abandoned its present method of restraining competition in the sale of unpatented articles and that the consequences of that practice have been fully dissipated.

Affirmed.

Mr. Justice ROBERTS took no part in the decision of this case.

A true copy.

Test:

Clerk, Supreme Court, U. S.